

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 PM-04 L-03 NSC-05 SP-02 SS-15 H-02

CIAE-00 INR-07 NSAE-00 DODE-00 MC-02 IGA-02 AID-05

ACDA-07 OMB-01 TRSE-00 PRS-01 /069 R

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P R 032031Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

INFO AMEMBASSY ATHENS

AMEMBASSY NICOSIA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

USMISSION NATO

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E.O. 11652: N/A

TAGS: MARR, MASS, TU

SUBJECT: CREDIT AUTHORIZATION FOR TURKEY

1. ON AUGUST 28 PRESIDENT SIGNED AND REPORTED TO CONGRESS PRESIDENTIAL DETERMINATION (PD) WHICH WOULD (INTER ALIA) PERMIT FMS FINANCING FOR \$125 MILLION WORTH OF FMS PURCHASES BY TURKEY. PD COVERED DETAILED LIST OF EQUIPMENT TO BE FINANCED WITH \$125 MILLION LOAN TO BE EXTENDED BY FEDERAL FINANCING BANK (FFB) AND GUARANTEED UNDER FMS. AS EMBASSY AWARE, FFB LOAN AGREEMENT WILL NOT BE CONCLUDED UNTIL EXPIRATION OF 30-DAY CONGRESSIONAL RE-

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VIEW PERIOD REQUIRED BY LAW FOR CERTAIN OF THE PURCHASES

COVERED BY THE PD. HOWEVER, IT IS IMPERATIVE THAT LOAN AGREEMENT BE SIGNED BY SEPTEMBER 30 IN ORDER FOR FY 1977 (TRANSITION QUARTER) FUNDS TO BE OBLIGATED.

2. WE HAVE PROVIDED TURKISH EMBASSY WASHINGTON WITH A COPY OF DRAFT FFB LOAN AGREEMENT (AND ARE POUCHING COPIES TO EMBASSY) TOGETHER WITH (A) ANALYSIS OF DIFFERENCE BETWEEN NEW LOAN AGREEMENT AND FFB LOAN SIGNED BY TURKEY IN 1975; (B) DRAFT LEGAL OPINION WHICH MUST BE COMPLETED BY GOT MINISTRY OF FINANCE; AND (C) COMMENT ON LEGAL OPINION. THESE DOCUMENTS MAY BE PASSED TO GOT FOR THEIR INFORMATION AND TO FACILITATE THEIR DECISION-MAKING

PROCESS. HOWEVER, DISCUSSION OF AGREEMENT AND ITS TERMS WILL BE HELD IN WASHINGTON BETWEEN FFB AND GOT REPRESENTATIVES.

3. FFB LOAN AGREEMENT CALLS FOR TEN-YEAR MATURITY INCLUDING TWO-YEAR GRACE PERIOD, WITH INTEREST TO BE DETERMINED BY FFB (ESSENTIALLY COST OF MONEY TO THE USG PLUS SERVICE CHARGE).

4. TREASURY DEPARTMENT POINTS OUT THAT SUBSEQUENT TO 30-DAY CONGRESSIONAL REVIEW PERIOD AND PRIOR TO END OF TRANSITION QUARTER (SEPTEMBER 30), GOT MUST FURNISH FFB (A) COPY OF GOT AUTHORIZATION FOR WASHINGTON REPRESENTATIVE (EXPECTED TO BE AMBASSADOR ESENBEL) TO SIGN LOAN AGREEMENT ON BEHALF OF GOT; (B) COMPLETED LOAN AGREEMENT READY FOR SIGNATURE; (C) LEGAL OPINION FROM MINISTRY OF FINANCE; AND (D) CHECK FOR \$312,500 PAYABLE TO TREASURY OF THE UNITED STATES FOR THE GUARANTY FEE. IF PROMISORY NOTE IS TO BE SIGNED AT SAME TIME AS LOAN AGREEMENT, THE GOT AUTHORIZATION FOR THAT SIGNATURE MUST ALSO BE PRESENTED TO FFB. ROBINSON

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Margaret P. Grafeld
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